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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

January 13, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

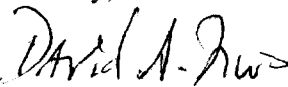
Re: Federal/State Joint Board Recommendation on Universal Service -- CC Dkt. 96-45

Dear Mr. Caton:

On Friday, January 10, 1997 ITCs, Inc. filed Reply Comments in the above-referenced proceeding. Counsel for ITCs inadvertently did not include the attached exhibits with the filing before the Commission. Accordingly, please associate same with ITCs Reply Comments.

Should you have any questions regarding this filing, please contact the undersigned.

Sincerely,


David A. Irwin

Exhibits (Original and four copies)

No. of Copies rec'd
List ABCDE

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EXHIBIT A

UNITED STATES TELEPHONE ASSOCIATION
Proposal - Transition High Cost Payments for Rural Carriers
for years 1998, 1999 and 2000

A. Rural Carriers without Investment Upgrades

1. The calculation for high cost support per supportable loop

$$\frac{\text{High Cost Support based on 1996 Embedded Cost}}{\text{12/31/96 Supportable loops}} = \text{High Cost Support per loop}$$

2. 1998 payment equal (12/31/97 supportable loops) times (High Cost Support developed in 1 above).
3. 1999 payment equal (12/31/98 supportable loops) times (High Cost Support developed in 1 above).
4. 2000 payment equal (12/31/99 supportable loops) times (High Cost Support developed in 1 above).

EXHIBIT B

UNITED STATES TELEPHONE ASSOCIATION
Proposal - Transition High Cost Payments for Rural Carriers
for years 1998, 1999 and 2000

B. Rural Carriers with Investment Upgrades

1. The formula for calculating the adjusted high cost support per supportable loop

$$\frac{\text{High Cost Support based on 1996 Embedded Cost} \\ \text{Adjusted for Investment Upgrades}}{\text{12/31/96 Supportable loops}} = \text{Adjusted High Cost Support per loop}$$

2. 1998 payment equal (12/31/97 supportable loops) times (Adjusted High Cost Support developed in 1 above).
3. 1999 payment equal (12/31/98 supportable loops) times (Adjusted High Cost Support developed in 1 above).
4. 2000 payment equal (12/31/99 supportable loops) times (Adjusted High Cost Support developed in 1 above).

EXHIBIT C

UNITED STATES TELEPHONE ASSOCIATION
Proposal - Transition High Cost Payments for Rural Carriers
for years 1998, 1999 and 2000

C. Rural Carriers with New Study Area Boundary

1. The formula for calculating the high cost support per supportable loop

High Cost Assistance based on Underlying Data
in Study Area Waiver Order

----- = High Cost Support per loop
Supportable loops

2. 1998 payment equal (12/31/97 supportable loops) times (High Cost Support developed in 1 above).
3. 1999 payment equal (12/31/98 supportable loops) times (High Cost Support developed in 1 above).
4. 2000 payment equal (12/31/99 supportable loops) times (High Cost Support developed in 1 above).

EXHIBIT D

UNITED STATES TELEPHONE ASSOCIATION
Proposal - Transition High Cost Payments for Rural Carriers
for years 1998, 1999 and 2000

D. Terms

1. Investments upgrades

Includes the investments in property, plant and equipment and/or advanced technology to provide supportable services at the adopted service quality requirements

2. Cost approved in study area waiver

The annual high cost support underlying the data submitted in the study area waiver order

3. High Cost Support

Includes for rural carriers high cost assistance funds, dial equipment minutes weightings and long term support